

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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May 20, 2003

FROM: LARRY WALKER
Auditor/Controller-Recorder

SUBJECT: MULTI-YEAR FINANCIAL/SINGLE AUDIT FOR SAN BERNARDINO COUNTY.

RECOMMENDATION: Direct the Auditor/Controller-Recorder on the selection of an accounting firm for the multi-year financial/single audit for San Bernardino County.

BACKGROUND INFORMATION: The Single Audit Act of 1984, Federal Public Law 98-502 and OMB Circular A-133 require each state and local government receiving financing assistance of \$300,000 or more to have an audit by an independent auditor. Further, Government Code Section 25253 makes it the responsibility of the Board to cause to be prepared and published a statistical report showing all the financial transactions of the County for the last fiscal year. Also, Article V, Section 8 of the County Charter requires the County to employ an accountant licensed by the State of California to make a thorough audit and report as to the condition of the accounts and records of the Auditor's Office. On March 4, 2003, the Board approved a Request for Proposal (RFP) for outside vendors to perform the financial/single audits of San Bernardino County. The RFP was posted on the Purchasing Department web site and we informed twenty-three firms of the posting. The RFP included provisions for potential maximum incentive payments of \$20,000 per fiscal year if the firm meets certain timelines. A total of four firms were in attendance at the non-mandatory pre-proposal conference, which was held on March 14, 2003. Proposals were received from the following firms:

Company	Three-Year Proposed Cost	Potential Incentive	Total
Caporicci & Larson, CPAs	\$451,050	\$60,000	\$511,050
Vavrinek, Trine, Day & Co., LLP	482,050	60,000	542,050
Brown, Armstrong, Paulden, McCown, Starbuck & Keeter Accountancy Corporation	496,800	60,000	556,800
M. Green and Company, LLP	527,541	60,000	587,541
Macias, Gini & Company, LLP	590,389	60,000	650,389
KPMG, LLP	628,750	60,000	688,750
Rogers, Anderson, Malody & Scott, LLP	646,300	60,000	706,300

On May 6, 2003, agenda item #35 was presented to the Board of Supervisors to approve a contract with Macias, Gini & Company, LLP. The Board instead approved a motion which (1) directed the Evaluation Committee to interview the two lowest bidders (Caporicci & Larson, CPA and Vavrinek, Trine, Day & Co., LLP) to see if there is a comfort level with one of the firms that the quoted price will include meeting certain timelines, adequately addressing audit requirements and experience for county hospitals, and the capability of the firm to complete the project plan and (2) directed the Evaluation Committee to return to the Board with a recommendation to award a contract if they cannot develop a comfort level to support contracting for these services with one of the two lowest bidders.

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The lowest bidder, Caporicci & Larson, CPA, declined the interview due to obtaining a significant new client. The firm indicated that they would not be able to properly staff the San Bernardino County workload. Since the lowest bidder declined, contact was made and accepted with the third lowest bidder, Brown, Armstrong, Paulden, McCown, Starbuck & Keeter, Accountancy Corporation.

Representatives from the Purchasing Department, Arrowhead Regional Medical Center, County Administrative Office, Treasurer-Tax Collector and the Auditor/Controller-Recorder interviewed the two firms (Vavrinek, Trine, Day & Co., LLP; and Brown, Armstrong, Paulden, McCown, Starbuck & Keeter, Accountancy Corporation). Both firms appear capable of meeting the minimum requirements as outlined in the Scope of Work section of the RFP. Four of the five of the evaluation committee members rated Brown, Armstrong, Paulden, McCown, Starbuck & Keeter, Accountancy Corporation higher in regards to government health care and county government experience and the ability to meet project timelines. In the original ordinal ranking of the proposals by the committee, Macias was first, Brown Armstrong was third, Caporicci was fourth and Vavrinek was sixth. Based on this additional information, this office is requesting direction on the selection of an accounting firm for the multi-year financial/single audit for San Bernardino County.

REVIEW BY OTHERS: This item has been reviewed by Purchasing Department (Terri Martinez, RFP/Staff Analyst) on May 14, 2003; County Counsel (Michelle Blakemore, Deputy County Counsel) on May 14, 2003; Arrowhead Regional Medical Center (Bernie Sebzda, Controller) on May 14, 2003; and the County Administrative Office (Tracy Lindsay, Administrative Analyst) on May 14, 2003.

FINANCIAL IMPACT: The Auditor/Controller-Recorder and the Arrowhead Regional Medical Center will fund and have budgeted for the cost of the contract in fiscal year 2002/03.

SUPERVISORIAL DISTRICT(S): All

PRESENTER: Larry Walker (909) 386-8813

HMO:spr

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